



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 08-Jul-2024 | Report No: PIDA37659



BASIC INFORMATION

A. Basic Project Data

Country Djibouti	Project ID P181415	Project Name Horn of Africa Initiative: Djibouti Regional Economic Corridor AF	Parent Project ID (if any) P174300
Parent Project Name Horn of Africa Initiative: Djibouti Regional Economic Corridor Project	Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 10-Jul-2024	Estimated Board Date 20-Sep-2024
Practice Area (Lead) Transport	Financing Instrument Investment Project Financing	Borrower(s) The Republic of Djibouti	Implementing Agency ADR

Proposed Development Objective(s) Parent

The PDO is to improve regional connectivity and enhance logistics efficiency in Djibouti along the Djibouti- Addis southern corridor.

Proposed Development Objective(s) Additional Financing

The PDO is to improve regional connectivity and resilience, enhance logistics efficiency, and to improve spatial accessibility for the population living in Djibouti along the Djibouti- Addis Southern corridor.

Components

- Improvement of infrastructure and introduction of intelligent transportation systems along the Djibouti-Addis southern corridor
- Improvement of transit services along the Djibouti-Addis southern corridor
- Institutional strengthening and capacity-building on road performance-based contracts and project implementation support
- Contingent emergency response component (CERC)

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	90.00
Total Financing	90.00
of which IBRD/IDA	90.00
Financing Gap	0.00



DETAILS

World Bank Group Financing

International Development Association (IDA)	90.00
IDA Grant	90.00

Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

B. Introduction and Context

1. **The “Horn of Africa Initiative: Djibouti Regional Economic Corridor” was approved on December 16, 2021, and became effective on July 8, 2022 (P174300) with a total financing of IDA SDR 49.5 million (US\$70 million equivalent).** The project is part of a larger Series of Projects with operations designed to enhance regional trade with benefits throughout the Horn of Africa while integrating consumers and producers of tradable goods in Djibouti and its hinterland to larger markets. The project benefits the road transport sector service providers, the local traders, the population living in the corridor area of influence, the end consumers, and the inland and seaport authorities. The project also benefits Djibouti’s transport sector institutions, including building institutional and human resources knowledge in modern road management instruments, i.e., Performance-based Contracts. The project benefits are to be achieved by improving climate-resilient road accessibility, which is crucial for reinforcing Djibouti’s position as a port of transit for the entire Eastern and Central Africa region.

2. **The “Horn of Africa Initiative: Djibouti Regional Economic Corridor Project.”** The Project is being implemented by one Project Implementing Unit headed by the Director of the Djiboutian Road Agency. The latest implementation status and results report (ISR) dated March 20, 2024, informed that the Project is progressing towards achieving its PDO, and the overall implementation progress is rated *Moderately Satisfactory (MS)*. The main reason for the MS rating is the longer-than-expected time it took to complete the procurement process for the Output- and Performance-Based Road Contract (OPBRC), which is understandable considering it is being introduced in Djibouti. Overall Environmental and Social Standards (ESS) compliance performance is *Satisfactory*, and overall Risk is *Substantial*. The project complies with the legal covenants and financial audit requirements. Pursuant to paragraph 24 of the Investment Project Financing (IPF) policy, there are no suspensions or audit issues and no major issues related to financial management, procurement, and ESS. The project closing date is December 31, 2026.



3. **In a letter dated March 27, 2023, the Government of Djibouti requested Additional Financing (AF) from the World Bank.** The requested additional financing aims (i) to cover the funding gap identified for the original project and (ii) to expand the project scope to finance additional road rehabilitation and upgrading works along the RN1.

Country context

4. **The country context has slightly changed since the parent project was prepared in 2021,** the main change being the situation in the Red Sea. Despite disruptions in the Red Sea, Djibouti's port activity continued to increase in January 2024, driven by the strong boom in transshipment activity as carriers have rapidly expanded transshipment operations in Djibouti, strategically positioned in the south of the Red Sea.¹

5. **In 2023, Djibouti's economy rebounded with a GDP growth of +6.7 percent.** However, Djibouti's fiscal situation is strained by reduced tax revenues and rising public debt costs. The medium-term economic outlook is positive, with GDP growth expected at 5.1% in 2024 and 5.7% in 2025, driven by foreign trade and public works investments. However, public debt and regional tensions pose risks to stability.

6. **Djibouti's strategic location has facilitated the development of a sophisticated port complex, serving as a vital transit hub for Ethiopian trade and attracting foreign investment.** Over the past two decades, Djibouti has made remarkable progress in developing its infrastructure and establishing itself as a key player in the regional transport and logistics sector. Despite this, the country's economic growth has yet to lead to the formation of a dynamic formal private sector. The government recognizes the need to diversify the economy beyond the port sector, targeting tourism, manufacturing, and renewable energy, as well as enhancing social inclusiveness and governance, aligning with Djibouti's 2035 vision.

7. **Climate change is a major concern.** Djibouti faces natural hazards and significant climate change impacts, particularly in rural areas. Severe droughts have caused vegetation degradation and water scarcity. The country experiences recurring floods, extreme heat, wildfires, and drought. In November 2019, flash floods caused US\$10 million in damage to transport infrastructure. Since 1961, the average temperature has risen by nearly 2°C, from 29.7°C to 31.5°C.² Future climate trends suggest increasing temperatures and more frequent extreme weather events, such as high-intensity precipitation and heat waves. Though currently lacking, effective climate adaptation and resilience-building efforts are needed to address extreme weather events.

8. **While Djibouti has made progress over the last two decades to advance gender equality, serious shortcomings remain.** Women's labor force participation (33 percent) is half that of men, and the share of women in employment or training (11 percent) is roughly a third of that of men (World Bank 2023).³ Employment data by gender and sectors are not available, but limited information points to gender-

¹ The World Bank in Djibouti: <https://www.worldbank.org/en/country/djibouti/overview> [Retrieved on July 4, 2024].

² Nour Ayeh, M., 2019. La dynamique des températures et ses risques pour les populations de Djibouti dans le contexte du réchauffement global, Revue africaine sur les changements climatiques et les énergies renouvelables.

³ World Bank 2023. "Towards a more Equitable Development - Constraints and Opportunities for Women in Djibouti". Ages 15 and above



based occupational segregation: only 14 percent of the workforce of the Ministry of Transport is female in Djibouti,⁴ with a much lower share of women expected to be employed in the road sector by private companies.⁵ Despite an increase in narrowing the gender gap in children's education, fewer girls than boys attend school; female illiteracy is high. The gender gaps are particularly pronounced in rural areas. With a Women, Business and the Law 2024 index of 71.3 out of 100, Djibouti outscores the regional average observed across MENA (54.7).⁶ Yet, there are several shortcomings in the legal framework and its implementation related to parental leave, divorce and custody, inheritance, and forced and early marriage – all of which have economic and social consequences on women in Djibouti.

Regional context

9. **Djibouti, strategically positioned at the crossroads of global and regional geopolitical currents, has seen its importance grow significantly over the past decade.** Djibouti holds a crucial geo-strategic position, which fosters regional and international interconnections, linking Africa, Europe, the Middle East, and Asia. Djibouti's location underscores the country's military and economic strategic importance. Regional integration in the Horn of Africa (HoA) is crucial in leveraging opportunities and tackling challenges, catalyzing growth and socio-economic inclusion amid global uncertainties. Despite its long-standing history of fragility, HoA sits at a vital trading route through which 30 percent of worldwide shipping passes. Being a neighbor to landlocked Ethiopia, Djibouti's ports are a conduit for Ethiopian trade and a platform for the transshipment of goods in the region. Approximately 80 percent of the merchandise handled in Djibouti's ports consists of transit cargo to and from Ethiopia, generating annual revenues of about USD 400 million from port fees alone.⁷

Sectoral and Institutional Context

10. **Djibouti's rapid economic growth has primarily been driven by services.** The GDP per capita increased from under USD 1,800 in 2000 to over USD 3,206 in 2021. Services constitute approximately 80 percent of GDP and 60 percent of formal employment, benefiting from Djibouti's strategic location for transportation, port services, and military bases.⁸ In 2012, the contribution of the transport and telecommunications sector to Djibouti's GDP exceeded 27 percent, while it typically is at most 10 percent of GDP in other countries. Djibouti is, therefore, quite unique in terms of the sector's contribution. Djibouti's Vision 2035 predicts that the transport sector will still contribute 25 percent of GDP in 2035. On job creation, in 2019, the ports in Djibouti supported 6,500 direct jobs (equivalent to approximately 25 percent of the 30,000 private sector jobs in the country) and 6,000 indirect jobs.⁹

11. **While Djibouti invests heavily in transport, its roads remain in poor condition.** Djibouti developed a deep-water port and related infrastructure, capitalizing on its advantageous position.

⁴ Ibid. World Bank 2023

⁵ Based on the available data from other countries and the experience of the World Bank's Transport teams, the share of women employed in the ministries of transport tends to significantly exceed the share of women employed in road works by private companies.

⁶ Women, Business and the Law 2024

⁷ World Bank. *Djibouti Country Economic Memorandum - Djibouti Beyond the Ports and Bases: A Path to Prosperity for All : Fixing High Costs, Low Human Capital, and Governance for Sustained Growth and Jobs Creation (English)*. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/099013124082525843/P17794913d0f7c0d319c7d125f26432112d>

⁸ Ibid.

⁹ <https://documents1.worldbank.org/curated/en/963231561663013431/pdf/Country-and-Port-Fact-Sheets-and-Projections.pdf>



Djibouti also invests in rehabilitating its road networks, especially the corridor roads of regional importance. The gap between the financial needs available to fund roads and the necessary resources is considerable. The length of Djibouti's road network is 1,793 km, of which 66% are in poor condition. The poor condition of the corridor roads leads to increased transport costs due to the premature wear and tear of the trucking fleet, higher fuel consumption, and increased safety risks for users. Due to the lack of enforcement of axle load limits for trucks traveling along the corridor connecting Djiboutian ports to Ethiopia, the pavement of the corridor road has a relatively short lifespan.

12. Institutional fragmentation and overlapping responsibilities between public entities impede the road sector's performance. The responsibilities are diluted between the Ministry of Infrastructure and Equipment, the Djiboutian Road Agency, Djibouti Ports Corridor Roads SA, and the Ministry of Budget, whose mandates partially overlap. Although the road sector is crucial for the country's macroeconomic performance, domestic spending in this sector is limited and inefficient. Less than 25% of the allocated funds are used for road works. This situation hinders the implementation of large new road projects and the maintenance of the existing road network.

C. Proposed Development Objective(s)

Original PDO

The PDO is to improve regional connectivity and enhance logistics efficiency in Djibouti along the Djibouti- Addis southern corridor.

Current PDO

The PDO is to improve regional connectivity and resilience, enhance logistics efficiency, and improve spatial accessibility for the population living in Djibouti along the Djibouti- Addis Southern corridor.

Key Results

13. The key PDO level indicators remain the same as for the parent project, namely:

- Reduction in travel time along the Djibouti section of the Djibouti-Addis southern corridor
- Reductions in truck border crossing time at Guelileh border post.
- A PDO level indicator on number of people with access to roads with enhanced resilience was added.

The results indicators have been updated to reflect the expanded scope and revised targets.

D. Project Description

14. The proposed Additional Financing includes the following components, which will expand the scope of components of the parent project:

15. Component 1: Improvement of infrastructure and introduction of intelligent transportation systems along the Djibouti-Addis southern corridor (US\$ 85 million, 100 percent IDA).

1.a. *Main corridor road sections.* This component of the AF encompasses the rehabilitation, improvement, management, and maintenance of three sections of the Southern Corridor Road through OPBRs: the RN5 (12 km) and RN19 (9 km) roads (already included in the parent project, but could not

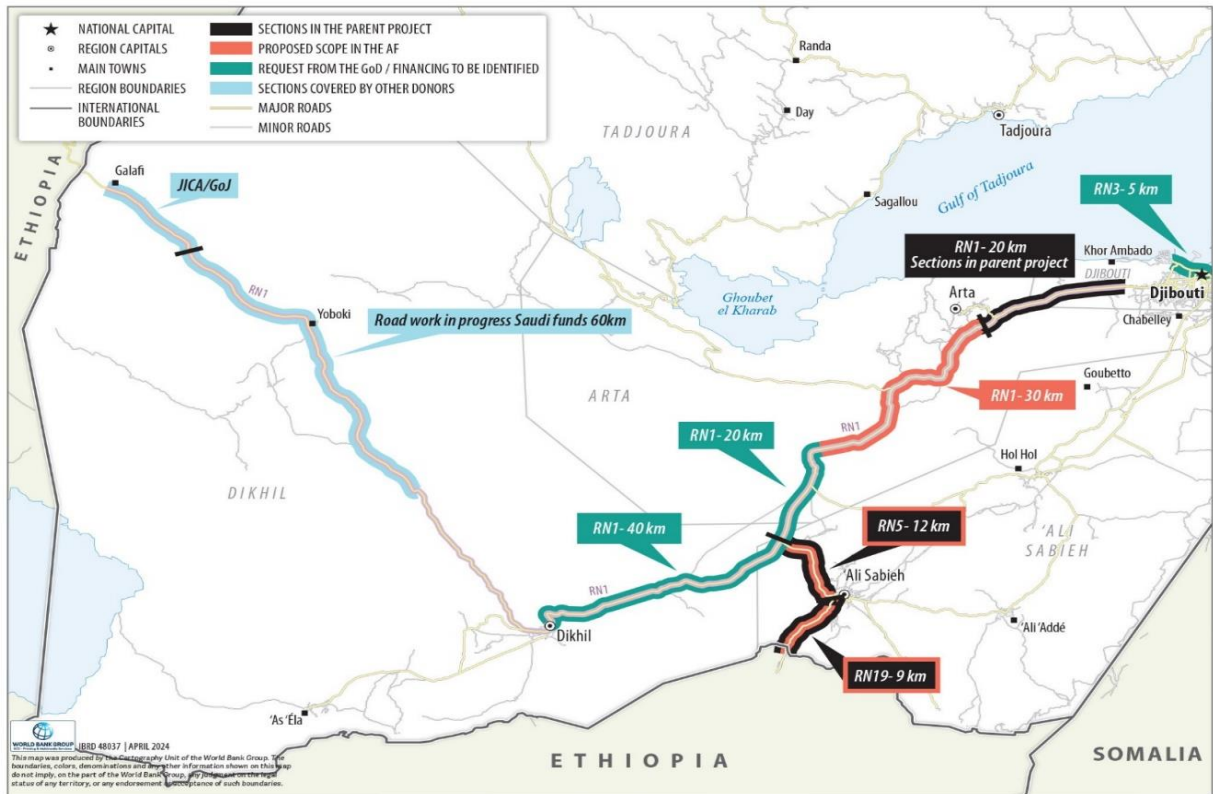


be started because of insufficient funding), and an additional section of the RN1 (up to 32 kilometers). Works will include climate-resilient pavement design, which performs under extreme heat conditions and is supported by a drainage system capable of effectively managing a high volume of pavement runoff arising from high-intensity precipitation events. Additional work includes adequate road safety measures, walking infrastructure, and crosswalks in settlement areas along the corridor. The road design will embed safety features to keep the Project Safety Impact (PSI) along the corridor below 1. The component also finances technical design, the monitoring consultant services required to verify compliance by the contractors with the service level and other contract requirements, technical audits, including road safety audits, and implementation of the Environmental and Social Framework (ESF) instruments. The performance-based approach will benefit from the experience already acquired by ADR with the parent project, as well as a study currently being developed by the Global Center on Adaptation (GCA) in collaboration with the WB on the integration of climate resilience and adaptation in OPBRCs, which will identify options for contract indicators. By expanding the scope of the parent project, the AF enhances the quality of the Southern Road Corridor over several years, ensures safer travel conditions for the users, and reduce CO₂ emissions due to the decrease in fuel consumption.

1.b. *Rural road improvement.* This activity will finance enhancements to lifeline rural tracks, including mapping and upgrading rural tracks and their adjacent feeder roads in settlement areas and small towns adjacent to the corridor, as well as associated technical assistance and consulting services to prepare and supervise the work. The specific rural tracks will be identified and prioritized during the first year of implementation, based on adequate justification of the community's benefits from the (re)established track access to ensure spatial access to markets and critical services such as health centers and schools. The study by GCA will suggest a climate-informed vulnerability prioritization of rural road improvement and maintenance interventions in the project area by identifying the sections of rural roads most vulnerable to climate shocks. These sections will be targeted as priority for maintenance interventions. The invested assets will be up to the standards to be resilient against the identified climate risks. This activity will also finance a master plan for a rural tracks strategy focusing on areas along the corridor. Improved rural tracks will give the population better access to essential services, markets, and economic opportunities offered by the regional Southern corridor.



Map: Localization of the road sections covered by the project parent and the AF.



Source: World Bank Cartography Service (cleared on June 12, 2024).

16. **Component 2: Improvement of transit services along the Djibouti-Addis southern corridor (US\$2 million, fully funded through IDA).** This component will finance the deployment of an Electronic Cargo Tracking System to support regional integration. The basic principle of an Electronic Cargo Tracking System (ECTS) is that for the transit of goods deemed to expose a revenue or security risk, the customs services affix a device of electronic cargo tracking seal to monitor in real-time the movement of the cargo in transit movement along the corridors' routes. The system alerts of any deviance from the only transit official (legally published in gazette) route and any abnormal discontinuity along the journey. This system can also be connected with ASYCUDA currently being deployed by the customs as part of the parent project. This activity aims at providing a multi-country harmonized approach of transit monitoring between the corridor's states. A close collaboration and understanding with the Ethiopian customs is key for this Component.

17. **Component 3: Support the GoD in reforming the road sector governance and project implementation support (US\$3 million, 100 percent IDA).** This component focuses on supporting the Government of Djibouti in reforming and capacity building for the road sector governances. This component will expand the support provided under the parent project. It will finance the following activities:

3.a. *Technical assistance and institutional strengthening.* This activity will provide a holistic support package to the institutions responsible for road transport infrastructure and financing. The aim is to



ensure the sustainability of investments financed in the parent project and the Additional Financing. This component will include capacity-building on the road sector management best practices and technical, administrative, and financial management of road projects and assets, including establishing client readiness to adopt OPBRC. This component will also support the Government of Djibouti in implementing an effective axle load control system (legal basis, institutional basis, policies for offloading overloaded trucks by transshipment) to protect and preserve the road corridor. Through this component, training, and capacity-building programs for small and medium-sized enterprises (SMEs) and technical studies offices (BET) will be designed, along with support for establishing a road agency and fund. The focus will be on improving procurement and contract management, enhancing project quality control, and designing climate-resilient roads to withstand extreme heat and flash floods.

3.b. Maximizing the Djibouti-Addis Southern Corridor’s development impacts for local communities. In addition, this component will also expand the coverage of the parent project’s activities, aiming to maximize the spillovers on human capital the local community benefits from the Djibouti-Addis Southern corridor through the (i) the implementation of programs aimed at preventing and reducing the impact of HIV/AIDS infection among communities, (ii) literacy training for women addressing their specific needs (appropriate time and location, complementary services such as childcare, etc.), (iii) support to female labor force participation (direct jobs resulting from the project’s activities or indirect jobs through development of businesses along the corridors), and (iv) the design of small interventions to increase road safety targeting populated areas and schools located along the roads improved under Component 1. The project will support the implementation of GBV protocol/measures for border personnel and women, as well as GBV training and information sessions for both women and men and truck drivers. Activities will align with established guidelines; focus groups will be held regularly to ensure the activities effectively target women’s needs. Communication and prevention campaigns will ensure maximum outreach and meeting information/knowledge needs of women and girls (through the involvement of existing women’s groups and networks and use of inclusive and appropriate language and channels for communication).

3.c. Project and corridor management, including corridor performance monitoring and reporting. This component will also contribute to funding the overall project management activities and include tracking the performance of the roads in terms of climate resilience.

18. Component 4: Contingent emergency response component (CERC) (US\$0 million, 100 percent IDA). Provision of immediate response to an Eligible Crisis or Emergency, as needed.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No



Summary of Assessment of Environmental and Social Risks and Impacts

The project (both the parent and AF) will lead to environmental and social risks and impacts ranging from possible erosion and run-off to water bodies during earthworks, limited loss of vegetation, changes to modified habitats, pollution from construction (dust, noise and vibration, wastewater, solid wastes and used oil), occupational and community health and safety, road safety risks during both construction and operation, physical and/or economic displacement, labor risks including working conditions, risks to migrants, child and forced labor, and the potential use of informal or dayworkers. The risk of exposure and spread of transmissible diseases, particularly during the construction phase, has also been identified as a transversal risk cutting across all activities. The risks associated with sexual exploitation and abuse and sexual harassment (SEA/SH) have been rated as moderate. The project is not expected to require the use of security forces. No associated facilities have been identified under the project.

To manage the risks highlighted above, for the parent project, the Borrower has prepared an Environmental and Social Assessment (ESA) that includes the Environmental and Social Impact Assessment (ESIA) with an Environmental and Social Management Plan (ESMP), Labor Management Procedures (LMP), a Resettlement Framework (RF), a Road Safety Management Plan (RSMP), and a Stakeholder Engagement Plan (SEP), which were disclosed prior to appraisal. For the AF, most of the parent project ES documents remain relevant and will be implemented during the whole project. However the SEP, LMP and RF will be updated for the AF within two months after project Effective Date. However, as an additional 32 km will be financed through the AF resources, the client launched the preparation of an ESIA. As all designed studies have yet to be finalized, the final version will be available prior the commencement of civil works. The SEP of the parent project will also be updated to include consultations to be carried for AF and the preparation of ESIA/ESMP. ES documents for the additional financing were prepared based on the information available. As information on the design of the 32 km becomes available, the relevant documents will be updated as needed before any civil work commences. A Resettlement Plan (RP) that identifies the impacts on all three parent project sites was prepared and is to be implemented before the commencement of civil works. To address the issues identified in the ESIA/ESMP of the AF, the Borrower will prepare a Resettlement Plan proportionate to the risks and impacts associated with the rehabilitation of the 32 km to be financed under the AF.

E. Implementation

Institutional and Implementation Arrangements

The implementation arrangements remain the same as for the parent project.

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APPROVAL

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